

**TO:** Chief Clerks and Administrators

**FROM:** Kristen Goshorn, Government Relations Manager

**DATE:** October 30, 2009

**RE:** Pension Relief – Annual Required Contributions

Under newly passed legislation, counties have the opportunity to reduce the burden of Annual Required Contributions for county pension plans. The changes, incorporated in Act 44 of 2009, give counties clear authorization to access several asset valuation methodologies that meet acceptable industry standards. Using these methodologies, counties can address the impacts of the recent market down turns, and reduce the Annual Required Contribution in the short-term. CCAP encourages counties to discuss this new legislation with county plan administrators and actuaries to determine the best course of action for your county plans.

Act 44 of 2009 (formerly HB 1828) was signed into law on September 18. The act amends Act 205, the Municipal Pension Plan Funding Standard and Recovery Act, but was most widely noted in the media for its attempts to address Philadelphia's pension problems and authorization of an additional 1% sales tax over the next three years for the city of Philadelphia to fund its pension obligations. However, CCAP also successfully lobbied for inclusion of language in this legislation intended to allow counties to access new asset valuation methodologies.

Although the act amends Act 205, it does not subject counties to this law. Instead, its sole impact for counties is the addition of language that allows counties to utilize new valuation methodologies by reference. The relevant language is found in Section 103 of the act, which allows counties to use any reasonable actuarial assumptions or methodologies provided for in the act. Those options can be found in Section 210 of the act, and include the ability to choose between one of two asset valuation methodologies, as well as an option to utilize a new smoothing technique that, unlike the five-year averaging methodology most commonly used by counties, changes how returns are reflected in the account in a manner that smooths contributions over the long term. The new valuation methodologies were recommended for inclusion in the act by the Public Employee Retirement Commission.

CCAP encourages counties to discuss Act 44 with their actuaries and pension plan administrators and ask for trial valuations under each methodology so that the pension board can make a determination based on the best interest of both the county and its plan members.

The text of the enacted legislation can be found at the following link:

<http://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=HTM&sessYr=2009&sessInd=0&billBody=H&billTyp=B&billNbr=1828&pn=2638>

Also, the following link accesses a summary of all the provisions of the act, prepared by the Pennsylvania Employee Retirement Commission:

[http://www.portal.state.pa.us/portal/server.pt/document/598409/act\\_44\\_synopsis\\_pdf](http://www.portal.state.pa.us/portal/server.pt/document/598409/act_44_synopsis_pdf)

